

Donald Trump and the Apprentice Economy

By Jerry Haar

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Homer said “It is a wise child that knows his own father.” Well, Ivanka Trump surely did a much-needed goody for her dad by convincing him of the great importance of apprenticeships, a woefully underappreciated vehicle for supporting human capital development and boosting economic growth.

Last week President Donald Trump signed an executive order to increase apprenticeships and job-training programs. While this new action is not a departure from the past -- the Obama administration actively supported apprenticeship training and Hillary Clinton championed it during her campaign -- there are some unique features of the new directive, projected to cost \$200 million. First, the executive order takes some authority away from the U.S. Department of Labor and instead outsources more to third-party companies and schools. Companies, trade associations, and unions will in fact develop their own apprenticeship program guidelines. Second, Trump’s order will create a task force to evaluate the 43 separate work programs costing nearly \$17 billion a year and carried out by 13 federal agencies.

As Labor Secretary Alexander Acosta points out, the skills gap is especially challenging for the U.S. economy, especially in fast-growing sectors such as financial services, health care, and information technology.

Although the federal government has regulated and certified apprenticeships since 1937, these programs have never really received the attention and promotion they deserve. The norm has been for the private sector to hire from vocational and technical schools and to train employees on the job.

The marketplace reality is that there are 6 million vacant jobs in the United States today, including 360,000 in manufacturing. For the last 40 years the Occupational Handbook of the United States, published by the U.S. Department of Labor, has reported that the fastest growing demand is for jobs of a technical nature -- the vast majority not requiring a college degree. Yet apprentices comprise only 0.3 percent of the American workforce (compared with 60 percent in Germany, the industry standards for apprenticeships), even though 90 percent of them are employed upon completing their apprenticeships and earn an average starting wage of \$60,000 per year.

While companies such as IBM and Dow Chemical in the manufacturing sector offer top-notch apprenticeship programs, the retail and services sector are following suit, with firms such as Walmart, CVS, Hertz, and Sears leading the way. These programs do not come cheap, costing as much as \$170,000 per apprentice or more. As for labor, the North American Buildings Trades Unions and other unions have run very successful apprenticeship programs for more than a century, often through labor-management partnerships.

In addition to the private sector, states have been active in supporting apprenticeships. Former Indiana Gov. Mike Pence, now the vice president, was at the forefront of apprenticeship training, designing and implementing an extensive grant program to expand apprenticeships to non-traditional sectors and underserved populations. Apprenticeship Carolina, in South Carolina, has boosted apprenticeships by 700 percent over the past 10 years through marketing, technical assistance, and employer tax credits. Caterpillar, 3M, Eaton, and GE Aviation are but a few of the firms that have signed on. MAT2 in Michigan -- a consortium of small and medium-size manufacturers that offer German-style apprenticeships -- has received sponsorships from BorgWarner, Siemens, Tyson Foods, and other leading companies.

What about benefits to the apprentice? Beyond learning a specific skill set within a particular industry and obtaining a job upon completion, apprentices learn discipline, motivation, responsibility, attention to detail, empowerment and personal satisfaction, and they gain experience in the real world of work.

Apprenticeships also have a recognizable social impact -- especially for at-risk populations. With 14 percent of America's youth ages 16 to 24 neither working nor in school, apprenticeships offer an escape route from poverty, crime, drugs, and other delinquent behavior.

The former star of "The Apprentice" is now focusing on an apprenticeship program at the national level. The new initiative is by no means a panacea to the endemic problem of mismatch between supply and demand in labor markets. And it is questionable whether an increase from \$90 million to \$95 million as part of Congress' omnibus budget for 2017 -- and in the absence of large tax credits -- will enable the administration to achieve its goal of 5 million apprenticeships by 2022. Nevertheless, whatever the amount, if the federal government in consort with the private sector, business associations, unions, and educational institutions can collaborate to ensure a steady supply of highly skilled technical workers with problem-solving abilities and the right work ethic, the results will be a more competitive national workforce and greater gains in productivity and economic growth.

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